

PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA



MANAGEMENT LETTER

ISSUED DECEMBER 21, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 13, 2005

**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2005, we considered the Department of Public Safety and Corrections, Public Safety Services' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Reports of the Department of Public Safety and Corrections, Public Safety Services are not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Public Safety and Corrections, Public Safety Services for the year ended June 30, 2004, we reported a finding relating to ineffective internal audit function. This finding is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

Unlocated Movable Property

The Department of Public Safety and Corrections, Public Safety Services, identified unlocated movable property items totaling \$925,803 as a result of its annual property inventory certification procedures. Of that amount, items totaling \$193,108 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on the department's property inventory certification, the amount of unlocated computers and computer-related equipment totaled \$256,928. The breakdown of unlocated property, by agency or functional property area, is as follows:

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS,
PUBLIC SAFETY SERVICES

- Office of Management and Finance - \$33,398
- Office of Motor Vehicles - \$22,645
- Office of State Police - \$577,210
- Office of State Fire Marshal - \$1,045
- State Police Training Academy - \$9,379
- State Police Cafeteria - \$25,198
- Information Services - \$256,928

Louisiana Revised Statute 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code 34:VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. The department's certifications of annual property inventory, submitted to LPAA between January and June 2005, disclosed \$130,272,355 in total movable property administered by the department.

Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the department to noncompliance with state laws and regulations. Because of the nature of the services provided by the department, the risk also exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

The department is not properly accounting for and safeguarding its movable property. Management should strengthen its procedures for conducting the physical inventory of movable property and devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

Deficiency in Disaster Recovery Plan

The Department of Public Safety and Corrections, Public Safety Services, does not have access to an offsite disaster recovery facility as a part of its disaster recovery plan. Good internal control requires that the department have a disaster recovery plan that provides for the timely restoration and continuity of critical entity operations in the event that normal data processing facilities are unavailable for an extended period of time.

The department maintains computer records for a variety of public safety activities including state police, statewide emergency preparedness, motor vehicle registration, drivers' licenses, and collection of revenues from riverboat and video poker gaming activities. In fiscal year 2004, the department completed a comprehensive disaster recovery plan that included written procedures, training, and testing. However, because of budgetary constraints, the plan did not include any provisions for a remote processing facility.

Failure to obtain access to a remote processing facility increases the risk that, in the event of a disaster, the department will be unable to provide timely restoration and continuity of critical operations.

Management of the department should obtain access to a remote processing facility, which should have the same operating systems as the agency, so that data can be processed and operations can continue with minimal disruption of services. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-4).

Ineffective Information System Security

The Department of Public Safety and Corrections, Public Safety Services, did not have adequate internal controls for the Advantage Financial System (AFS), a component of the Integrated Statewide Information System. Access to AFS is restricted through the use of passwords and user identification (ID) codes; however, this access was not properly restricted to ensure that the integrity of data was maintained. Effective internal controls should provide that access to information systems be granted only to current employees that have a legitimate business need.

Our audit of the 45 active system IDs that granted input access to AFS disclosed that five system IDs were assigned to terminated employees and two system IDs were assigned to employees that no longer had a legitimate business need. In addition, five of the seven system IDs also granted the user the ability to approve transactions of other users in AFS.

These conditions occurred because management did not follow established procedures to notify the Security Administrator of the personnel changes and because there is no procedure in place to monitor the access through routine reviews. Failure to remove security access for terminated or transferred employees greatly increases the risk of fraudulent transactions. This risk increases since AFS is accessible through the Internet and users are not restricted to using terminals in secured work sites.

Management of the department should ensure that employees adhere to established procedures requiring the notification of the Security Administrator of personnel changes and should also implement procedures requiring routine reviews of active system IDs. Management concurred in part with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 5).

Ineffective Internal Audit Function

For the fifth consecutive year, the Audit Services Section of the Department of Public Safety and Corrections, Public Safety Services, did not conduct a sufficient number of audits to be considered an effective internal audit function. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Although the Audit Services Section conducted limited audits within the department, the number and scope of audits were not sufficient to constitute an effective internal audit function. Considering the department's reported assets (\$73,284,633) and the revenues it collects (\$1,201,729,622), an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

The department should take the necessary steps to ensure that the Audit Services Section conducts a sufficient number of audits by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 6).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action.

On November 23, 2005, the Office of State Inspector General issued a report on the Louisiana Gaming Control Board (LGCB), a budget unit within Public Safety Services. The report included findings that allege the following:

- The former LGCB executive director and staff attorney were paid for hours that they did not work or take appropriate leave hours.
- The LGCB chairman did not work in the LGCB office in Baton Rouge a minimum of four days per week as required by Governor Blanco's directive.
- The LGCB chairman's salary exceeded the amount allowed by state law by approximately 10%.
- The LGCB chairman did not comply with Policy and Procedure Memorandum No. 63 governing the use and management of an assigned vehicle.

MANAGEMENT LETTER

This letter is intended for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

BDC:WDD:THC:dl

DSPSS05

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Management's Corrective Action
Plans and Responses to the
Findings and Recommendations

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS,
PUBLIC SAFETY SERVICES



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

October 17, 2005
DPS-02-681

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Unlocatable Movable Property

We **concur** with this finding. When the Department of Public Safety's Property Control System changed from a departmental Mapper system to the statewide system administered by the Louisiana Property Assistance Agency (LPAA) in the Fall of 2003, we moved from a detailed description to a more generic description code. This change has made it difficult to locate some items. In addition, the Department's Property Manager with many years of experience with technical equipment and vendor description types, retired in June, 2004. Over the last three (3) years, a large portion of the unlocated property has been radio and radar equipment (91% in 2003; 89% in 2004; 73% in 2005). Several months ago, procedures were changed which has reduced the number of unlocated items. And with the appointment of a new Property Manager for Information Services in April, 2005, other procedures have been instituted to better verify the location of radio and radar equipment.

In the course of identifying the items and amounts of value listed in the finding, we have since located several items that have now either been sent to LPAA as surplus or have been returned to our inventory. As you know, in the Fall of 2003 much of Public Safety Services relocated to its present facilities. This move, along with the renovation of other facilities already located on Independence Boulevard, resulted in the relocation of thousands of items. Several items to be surplus were left in the old facilities and others were warehoused but never matched described inventory items by newly appointed personnel.

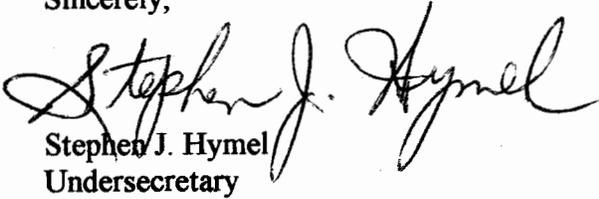
The number of items and value of property listed in this finding as "unlocated" is not acceptable to management. Besides the changes in personnel and procedures mentioned above, several corrective actions will be implemented over the coming weeks. Property Managers will be required to perform the following functions: include a more detailed description of movable property for certain types of property; tag the inventory record as "unlocated" but maintain the actual location where the item was last reported; and perform scheduled periodic audits of property locations verifying the location of all inventory items. The Information Services and Radio Maintenance Property Managers will match the property control forms with technician work order forms for installations and repairs.

Mr. Steve J. Theriot, CPA
Legislative Auditor
Page 2

Additionally, all personnel issued personal use of radio, radar, or information technology equipment will be reminded through policy statements that they are responsible to track the issuance, maintenance, repair, and disposition of personally assigned equipment.

Public Safety Services management considers good stewardship of State Property a critically important and essential activity. We will continue to work hard to improve the processes and procedures associated with tracking movable property. The person responsible for the corrective actions is Shannon Anderson.

Sincerely,


Stephen J. Hymel
Undersecretary

c/c Colonel Henry L. Whitehorn
Ltc. Oxley
Jill Boudreaux
Shannon Anderson
Rex McDonald



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

September 30, 2005
DPS-02-672

Mr. Steve J. Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Deficiency in Disaster Recovery Plan

Dear Mr. Theriot:

We **concur** that Public Safety Services (DPS) does not have access to an offsite disaster recovery facility. As part of the State's budget request process, DPS submitted form IT10 for the establishment of an offsite processing facility. The State Office of Information Technology (OIT) approved the request, but funds were not appropriated for this purpose. DPS has recommended that the State address this issue at the enterprise level by creating a facility to be used by all State agency information technology entities, a more cost effective approach than each agency establishing their own. The IT Section of DPS has participated in meetings with OIT regarding this recommendation.

To mitigate risk in our current environment, the Department has taken the following steps for disaster recovery:

1. Mirroring critical data located at the DPS Data Center with the Division of Administration (DOA) Data Center using comparable servers (SAN).
2. Mirroring critical IBM mainframe data located at the DPS Data Center with the DOA Data Center with a comparable mainframe.
3. Submitted form IT10's for: a.) a remote tape vaulting system to be located at the DOA Center to write disaster backup tapes, b.) a redundant UPS system (power generator) to remove single-point-of-failure within the DPS Data Center.

Mr. Steve J. Theriot
Legislative Auditor
Page 2

Through the State budget process, DPS will continue to request access to an offsite disaster recovery and processing facility. The contact person for this corrective action is Rex McDonald.

If you need any additional information please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Stephen J. Hymel". The signature is written in black ink and is positioned above the printed name and title.

Stephen J. Hymel
Undersecretary

c/c Col. Henry Whitehorn
Rex McDonald



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

September 30, 2005
DPS-02-674

Mr. Steve J. Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Ineffective Information System Security

Dear Mr. Theriot:

We concur in part with this finding. Public Safety Services (DPS) has established an appropriate policy with effective procedures to safeguard access to the Advantage Financial System (AFS). As pointed out in your finding, access to AFS is restricted through the use of passwords and user identification (ID) codes granted by DPS managers and enacted through the State's Office of Information Technology. In the case of the access irregularities pointed out in this finding, one was an error by the manager as to the appropriate access necessary for that employee, and the others were a result of new supervisors being unaware of the procedures they were to follow regarding the change of employment status of their employee.

The access irregularities noted in the finding have been corrected. By October 7th, all supervisors whose employees access AFS and other systems will be sent a copy of the pertinent security/access policy and procedures. Steve Hymel is responsible for this corrective action.

If you need any additional information please contact me.

Sincerely,

Stephen J. Hymel
Undersecretary

c/c Colonel Henry Whitehorn
Jill Boudreaux



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

September 30, 2005
DPS-02-673

Mr. Steve J. Theriot
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Ineffective Internal Audit Function

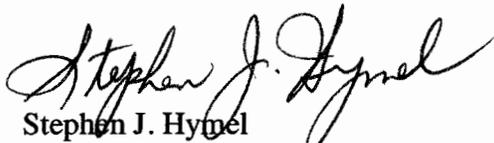
Dear Mr. Theriot:

We concur with this finding. As you are aware, we have concentrated our limited audit resources on statutorily mandated Motor Vehicle and Gaming audits. We agree that during the fiscal year of this your audit, our overall internal audit function was inadequate.

As we have stated in previous years, limited resources have prevented us from fully implementing our Audit Services Section's short-term and long-term strategic plans. Recognizing the need to expand the scope and number of audits throughout the Department, we intend to continue to seek additional staff through the State budget process. Additionally, because of the reengineering of the Office of Motor Vehicles' processes, several accounting positions will no longer be necessary when the financial component of that project is complete in the Fall of 2007. We intend to reallocate several of those positions to internal audit positions. Jill Boudreaux and I are the contact persons for this corrective action.

If you need any additional information please contact me.

Sincerely,


Stephen J. Hymel
Undersecretary

c/c Col. Henry Whitehorn
Jill Boudreaux